



AUDIT COMMITTEE

Report to the
Board of Harbor Commissioners

“FOR INFORMATION ONLY”

DATE: OCTOBER 11, 2018

TO: BOARD OF HARBOR COMMISSIONERS

**SUBJECT: FINANCIAL PERFORMANCE RESULTS FOR
FISCAL YEAR 2018/19 ENDED SEPTEMBER 30, 2018**

Financial performance results for the first quarter of Fiscal Year (“FY”) 2018/19 are below and have been summarized relative to both budget and the prior fiscal year. For the month of September, cargo volumes (as measured by TEUs or twenty-foot equivalent units) increased 4.9% relative to September 2017, and fiscal year-to-date (“FYTD”) TEUs are now 2.2% higher relative to prior FYTD results. In summary, FYTD performance results for the Harbor Department are as follows:

FYTD September 2018	Actuals (Cargo Volumes in Thousands, \$ in Millions)	Actual-to- Budget Comparison	Year-on-Year Comparison
Cargo Volumes	2,461	↑ 0.2%	↑ 2.2%
Operating Revenues	\$119.5	↓ (4.9%)	↓ (7.8%)
Operating Expenses	\$54.4	↓ (21.7%)	↑ 2.4%
Operating Income	\$65.1	↑ 15.9%	↓ (14.9%)
Net Income	\$34.2	↑ 262.0%	↓ (11.8%)

Through the first quarter of FY 2018/19, Shipping Services revenues declined relative to both budget and the prior fiscal year due to higher accruals for year-end compensation adjustments. Relative to budget, total Operating Revenues decreased by 4.9% as lower Shipping Services and higher credits for tenant services were only partially offset by higher Harbor Maintenance Tax receipts and higher rental revenues. Relative to the prior fiscal year, total Operating Revenues decreased by 7.8% as lower Shipping Services were only partially offset by higher Harbor Maintenance Tax receipts and higher rental revenues.

Operating Expenses were favorably impacted as invoicing delays with respect to outside services and other operating expenses as well as lower headcounts drove total

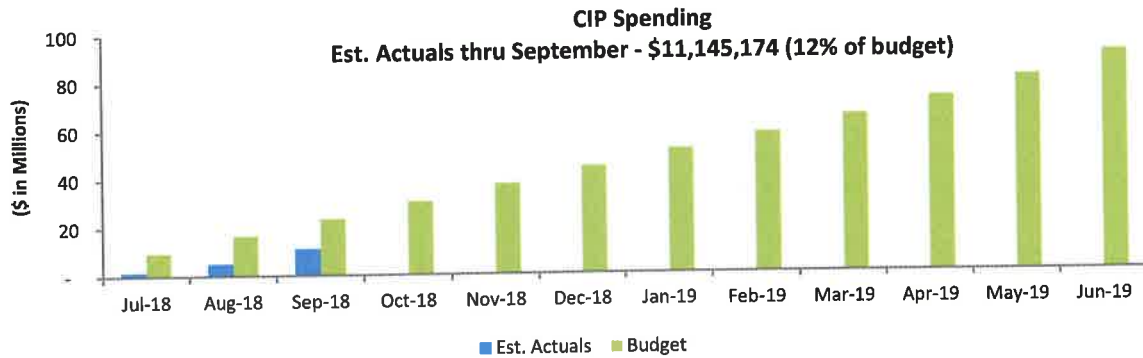
SUBJECT: FINANCIAL PERFORMANCE RESULTS

Operating Expenses 21.7% below budget. Relative to the prior fiscal year, total Operating Expenses increased by 2.4% due to higher fire services, MOU salary increases, quicker processing of sponsorship invoices, as well as higher facility, grounds and wharf maintenance expenses.

Operating margins for the FYTD period were reported at 54.5% versus a budget of 44.7% and a prior year figure of 59.0%. However, it is important to note that as vacancies are filled, and, as invoicing issues are resolved, operating expenses are anticipated to trend towards budget as FY 2018/19 progresses.

Capital Improvement Program (CIP)

CIP spending for the FYTD period ended September 30, 2018 based on internal estimates reached \$11.1 million or about 12% of the total \$91.0 million CIP adopted budget. At this early stage in the fiscal year, the Harbor Department currently expects to stay within the CIP adopted budget through fiscal year-end.



Mark Bleavin FOR

EUGENE D. SEROKA
Executive Director

Transmittals:

1. TEU Throughput Comparison – FYTD September 2018
2. Actual-to-Budget FY 2018/19 – September
3. Year-to-Year Performance Report YTD September 30, 2018 and 2017

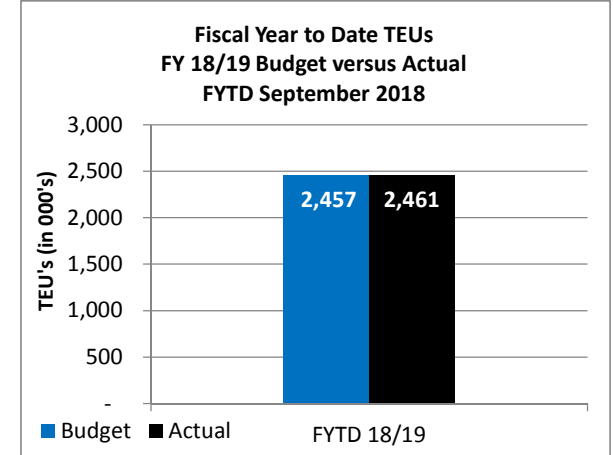
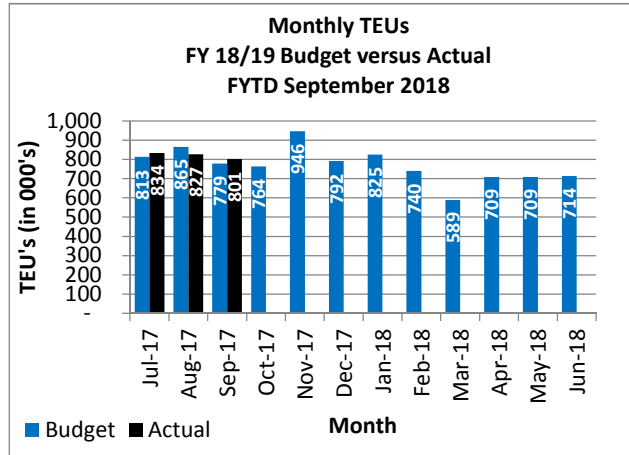
Author: M. Marchese

MB:MM/Finance
cc: Deputy Executive Directors

HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES
TEU THROUGHPUT COMPARISON - FYTD SEPTEMBER 2018

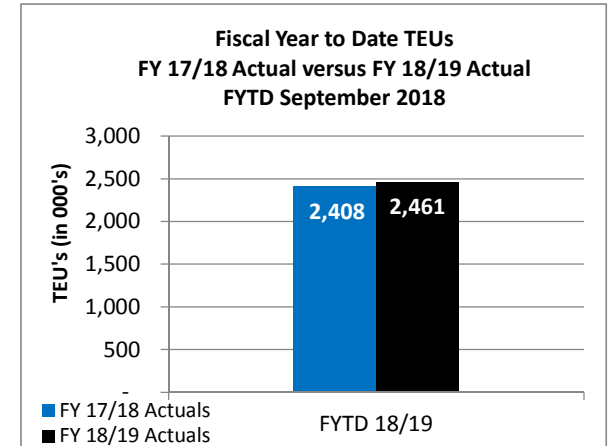
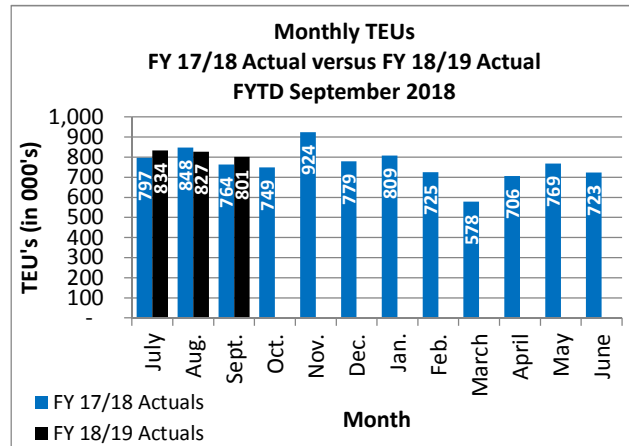
Budget versus Actuals Comparison
FY 18/19 Budget vs. FY 18/19 Actuals

(in 000's)	TEU's		% Δ	Δ
Month	FY 18/19 Budget	FY 18/19 Actuals		
Jul-17	813	834	2.6%	↑
Aug-17	865	827	-4.5%	↓
Sep-17	779	801	2.9%	↑
Oct-17	764			
Nov-17	946			
Dec-17	792			
Jan-18	825			
Feb-18	740			
Mar-18	589			
Apr-18	709			
May-18	709			
Jun-18	714			
FYTD 18/19	2,457	2,461	0.2%	↑
FY 18/19 Budget	9,244			



Year-to-Year Actuals Comparison
FY 17/18 Actuals vs. FY 18/19 Actuals

(in 000's)	TEU's		% Δ	Δ
Month	FY 17/18 Actuals	FY 18/19 Actuals		
July	797	834	4.6%	↑
Aug.	848	827	-2.5%	↓
Sept.	764	801	4.9%	↑
Oct.	749			
Nov.	924			
Dec.	779			
Jan.	809			
Feb.	725			
March	578			
April	706			
May	769			
June	723			
FYTD 18/19	2,408	2,461	2.2%	↑
FY 17/18 Actuals	9,170			



\$ in thousands	Fiscal Year Actual	Fiscal Year Budget	Actual-to-Budget Comparison	
	FY 2018/19 Fiscal YTD - Sep. 2018	FY 2018/19 Fiscal YTD - Sep. 2018	\$	%
Operating Revenues				
Shipping Services	95,389	107,494	(12,105)	(11.3%)
Rentals	16,313	13,477	2,836	21.0%
Royalties, Fees and Other Revenues	7,338	4,070	3,268	80.3%
Clean Truck Program Revenues	476	611	(136)	(22.2%)
Total Operating Revenues	119,516	125,652	(6,136)	(4.9%)
Operating Expenses				
Gross Salaries & Benefits	35,383	39,552	(4,169)	(10.5%)
Capitalization	(5,693)	(3,366)	(2,327)	69.1%
Net Salaries & Benefits	29,690	36,186	(6,496)	(18.0%)
Marketing & Public Relations	1,050	1,013	37	3.7%
Travel	185	262	(76)	(29.2%)
Outside Services	4,387	12,178	(7,792)	(64.0%)
Materials & Supplies	1,373	2,231	(857)	(38.4%)
City Services	12,095	13,105	(1,011)	(7.7%)
(1) Allocations to Capital - Overhead		(3,309)	3,309	(100.0%)
(2) Other Operating Expenses	5,622	7,581	(1,959)	(25.8%)
Clean Truck Program Expenses	24	265	(241)	(90.9%)
Total Operating Expenses	54,426	69,512	(15,085)	(21.7%)
Income Before Depreciation	65,090	56,141	8,949	15.9%
Provision For Depreciation	37,405	43,903	(6,498)	(14.8%)
Income From Operations	27,685	12,238	15,448	126.2%
(3) Non-Operating Revenue	7,250	2,814	4,436	157.7%
(4) Non-Operating Expenses	(724)	(5,602)	4,878	(87.1%)
Net Income	34,211	9,450	24,762	262.0%

	Current Fiscal Year	Prior Fiscal Year	Year-over-Year	
	FY 2018/19	FY 2017/18	Change	
\$ in thousands	Fiscal YTD - Sep. 2018	Fiscal YTD - Sep. 2017	\$	%
Operating Revenues				
Shipping Services	95,389	106,675	(11,286)	(10.6%)
Rentals	16,313	15,890	423	2.7%
Royalties, Fees and Other Revenues	7,338	6,445	893	13.9%
Clean Truck Program Revenues	476	615	(139)	(22.6%)
Total Operating Revenues	119,516	129,625	(10,108)	(7.8%)
Operating Expenses				
Gross Salaries & Benefits	35,383	37,251	(1,868)	(5.0%)
Capitalization	(5,693)	(5,560)	(134)	2.4%
Net Salaries & Benefits	29,690	31,691	(2,001)	(6.3%)
Marketing & Public Relations	1,050	436	614	140.8%
Travel	185	196	(10)	(5.3%)
Outside Services	4,387	3,010	1,377	45.7%
Materials & Supplies	1,373	1,275	98	7.7%
City Services	12,095	10,475	1,619	15.5%
(1) Other Operating Expenses	5,622	5,976	(354)	(5.9%)
Clean Truck Program Expenses	24	66	(42)	(63.9%)
Total Operating Expenses	54,426	53,127	1,300	2.4%
Income Before Depreciation	65,090	76,498	(11,408)	(14.9%)
Provision For Depreciation	37,405	40,548	(3,143)	(7.8%)
Income From Operations	27,685	35,950	(8,265)	(23.0%)
(2) Non-Operating Revenue	7,250	5,452	1,797	33.0%
(3) Non-Operating Expenses	(724)	(2,613)	1,889	(72.3%)
Net Income	34,211	38,790	(4,579)	(11.8%)